

Message Text

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C O N F I D E N T I A L OTTAWA 3267

EXDIS - STRICTLY NOFORN

E.O. 11652: GDS
TAGS: ENRG, CA
SUBJ: GAS TRANSMISSION

REF: OTTAWA 3165

1. SPENT 90 MINUTES TODAY, AUGUST 12, WITH CABINET SECRETARY PITFIELD AT HIS REQUEST REVIEWING PROCESS AND SUBSTANCE OF US DECISION MAKING ON PRUDHOE BAY GAS TRANSMISSION.
2. PITFIELD SAID THAT HE EXPECTS JUSTICE BERGER REPORT TO BE AVAILABLE BY YEAR END, BUT THAT NEB RECOMMENDATIONS WILL NOT HAVE ITS RECOMMENDATIONS READY UNTIL MARCH 31. PITFIELD FEARS SLIPPAGE IN BOTH.
3. QUESTIONS TO BE ANSWERED BY GOC ARE THUS: (A) WHETHER, WHEN AND HOW TO ATTEMPT TO REACH A GOVERNMENT PREFERENCE ON A PIPELINE OPTION INDEPENDENTLY OF THE REGULATORY PROCESS (PITFIELD BELIEVES THAT ONCE THE PROCESS OF CHOICE STARTS IN THE CABINET IT COULD GO FAIRLY FAST; I.E., IN AS LITTLE AS 90 DAYS); (B) WHAT IS THE RIGHT MECHANISM FOR INSURING THAT THE GOC AND USG COME TO THE SAME CONCLUSION.
3. PITFIELD NOTED THAT THE TREND NOW IN THE ENERGY, MINES AND RESOURCES MINISTRY IS RUNNING FAIRLY STRONGLY IN FAVOR OF THE ALCAN OPTION, BUT WITH A SPUR TO THE

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MACKENZIE DELTA. IN SECOND PLACE HE WOULD PUT THE ARCTIC

GAS PROPOSAL, WITH FOOTHILLS THIRD.

4. IN ADDITION TO UNDERSCORING FOR PITFIELD THAT THERE IS NO WAY NOW TO PREDICT WHICH OF THE THREE OPTIONS US WOULD FAVOR, I POINTED OUT THAT NO JOINT OPTION WOULD BE POSSIBLE UNLESS CANADA FINDS A WAY TO INTERPRET INTERPROVINCIAL PIPELINES AS DESCRIBED IN THE DRAFT PIPELINE TREATY SO AS TO GIVE REAL PROTECTION TO AMERICAN THROUGHOUT AGAINST DISCRIMINATORY CHARGES. I TOLD PITFIELD THE ISSUE HAD SO FAR BEEN DEALT WITH ONLY AT THE LEVEL OF EXTERNAL AFFAIRS LEGAL ADVISOR, ALTHOUGH I HAD ALERTED ENERGY, MINES AND RESOURCES MINISTER GILLESPIE TO IT AND RECEIVED A PLEDGE FROM HIM THAT A WAY WILL BE FOUND AROUND IT. PITFIELD SAID HE WILL LOOK INTO THE ISSUE.

5. PITFIELD WILL NOW DIGEST THE INFORMATION I GAVE HIM, AND WE WILL TALK AGAIN IN EARLY SEPTEMBER.

6. COMMENT: PITFIELD'S THINKING IS SIGNIFICANTLY INFLUENCED BY THE CURRENT STATE OF US-CANADA RELATIONS. HE REFERRED BACK TO MY FIRST CONVERSATION WITH HIM IN FEBRUARY, WHEN I HAD POINTED OUT THAT WE HAD HAD NOTHING BUT NEGATIVE ACTIONS ON BOTH SIDES FOR FIVE YEARS, AND NEEDED A MAJOR COOPERATIVE VENTURE, SUCH AS A JOINT GAS PIPELINE, TO REESTABLISH THE BALANCE. PITFIELD REMARKED THAT RECENTLY, WITH ALL THE UNFAVORABLE PUBLICITY CANADA HAS BEEN GETTING IN THE UNITED STATES, HE HAS BEGUN TO FEAR THAT A DOWNWARD SPIRAL OF INCREASING BITTERNESS MIGHT OCCUR BETWEEN CANADA AND THE UNITED STATES.

7. TRUDEAU'S CHIEF POLITICAL ADVISOR COUTTS WAS EXPECTED TO BE PRESENT BUT WAS DETAINED BY THE PRIME MINISTER.

8. CONTRARY TO THE REPORT IN REFTTEL, PITFIELD'S INITIATIVE APPEARS NOT TO HAVE BEEN CLEARED WITH THE CABINET. THEREFORE, OUR DISCUSSION SHOULD NOT RPT NOT BE MENTIONED TO MACEACHEN, THE CANADIAN EMBASSY IN WASHINGTON, OR ENERGY, MINES AND RESOURCES.
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